



# Bulletin

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ SPRING 2002

## Extra Service Now Counts

In the old days, teachers taught for nine months with most off during the summer. Working outside the traditional school year was not all that common, and extra service did not count toward retirement. No one has to tell you that those times have changed. Nowadays, educators commonly work in year-round schools, teach during summer school and intersession and perform even more extra duties beyond working in the classroom.

In recognition of the changing scene, a state law will take effect July 1, 2002, that helps educators who

perform extra service after that date. That help will come either from an increased monthly retirement allowance or more funds in the Defined Benefit Supplement, or DBS, accounts.

Those of you earning less than one year of service credit in a school year will see more duties counting as service credit. This increased service credit will mean a higher monthly retirement allowance.

Those of you earning more than one year of service credit in a school year will see contributions from pay for extra service deposited in your DBS accounts. These funds will grow throughout the years as they earn interest, supplementing your retirement allowance or providing funds if you leave CalSTRS-covered employment. For more about DBS, see page 13.

Additionally, in some cases the changes to the compensation that is counted or credited to your CalSTRS account could further boost your retirement allowance.

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## VIP to Go Online

The Voluntary Investment Program, CalSTRS' 403(b) program, is getting better. In addition to the existing toll-free customer service center, by mid-summer VIP will go online. VIP participants will be able to access the CalSTRS Web site to view account information and receive financial advice and counseling services. CalSTRS will also be adding more investment choices this year, including funds geared toward targeted retirement dates.

Here are the changes coming your way:

### Online Account Information

- View account balances
- View fund and plan information
- Access video, audio and written information on saving for retirement
- View loan balances and request new loans
- Change allocations of current balances and future contributions
- View explanations of various payout options
- Access self-managed accounts

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# CEO Notes

By Jack Ehnes, Chief Executive Officer

I'm pleased to be writing my first column in the *Bulletin*. Settling in to my new position as Chief Executive Officer for CalSTRS has been a busy and often hectic experience, but, most of all, a very welcoming one. I'm looking forward to the work ahead, which will be building on an already solid foundation. The California State Teachers' Retirement System is a secure, well-respected pension fund, thanks largely to the hard work of my predecessor Jim Mosman, the dedicated CalSTRS staff and the leadership of the Teachers' Retirement Board.

As far as my top priorities as CEO of CalSTRS, they will be focused on ensuring that our benefits are sound and our service, topnotch. When the day is done, it comes down to making sure we provide an excellent pension plan to our members and do so with excellent service.

## Portfolio is Strong

You should be pleased to be a member of a retirement system with the third largest investment portfolio in the nation, valued at over \$100

billion. CalSTRS has a worldwide reputation as a stable, dependable and trustworthy pension plan. Part of the success is the CalSTRS investment strategy, which is to follow a disciplined approach in order to provide the best possible long-term returns. This ensures that CalSTRS can weather the inevitable ups and downs of financial markets.

Of course it's important to remember that one of the best features of a defined benefit plan such as CalSTRS' is that your benefit is guaranteed for life. No matter what turn the financial markets take, you can be assured your retirement benefits will not be affected.

That said, in order for CalSTRS to achieve the best returns possible, we must factor some risk in our investment plan. If we didn't take risk, we wouldn't make a good return. However, to minimize risk, we combine our assets so that the portfolio is well-diversified. No individual investment is going to make or break our portfolio. The recent Enron collapse is a good example of the value of diversification. In the period of CalSTRS' decline in Enron stock value, those losses were more than offset by substantial gains in other areas.

As the third largest pension fund in the U.S., however, we have

an obligation to deter wrongful corporate conduct when it undermines the integrity of financial markets. That's why CalSTRS recently petitioned to be lead plaintiff in a class action lawsuit against Homestore.com, Inc.

## Customer Service Is Important

I also want to say a word about customer service here at CalSTRS. As educators, you are busy professionals and you need to receive information about your retirement benefits that is clear, comprehensive and timely. CalSTRS will continue our efforts to improve service to you so that you can get the information you need when you need it.

A large part of good service is spending time with customers so that I can be aware of your concerns. I invite you to contact me directly to tell me what is working and not working for you. I would also be happy to speak to groups about retirement issues that affect California's educators. You can contact me at CalSTRS; P.O. Box 15275; Sacramento, California 95851-0275.

Thank you,

• **Bulletin**

## About Jack

- Became Chief Executive Officer of CalSTRS on February 4.
- Came to CalSTRS from GreatWest Life & Annuity Insurance Company. Was the vice president for corporate affairs at where he administered the company's defined benefit and defined contribution plans.
- Was the insurance commissioner for the state of Colorado.
- Served as board trustee of the Colorado Public Employees' Retirement Association for 11 years, including six years as chair and vice chair.
- Is a native of Rochester, New York.
- Holds a B.S. from Cornell University and a M.A. from Vanderbilt University.
- Received awards as 1992 "State of Colorado Manager of the Year" and the 1999 Career Service Award from the Colorado Group Insurance Association as well as recognition from the Colorado chapter of AARP for outstanding public service.
- Lives in Sacramento with his wife Cindy and daughters, Amy and Lacey.
- Enjoys outdoor activities (he's an avid skier, hiker and camper) and reading good fiction.

### Creditable *continued from page 1*

That's because, besides increasing the amount of service credit, the changes could affect another element in the retirement calculation formula, your highest average salary, called final compensation.<sup>1</sup> The highest average salary could be increased if you are paid for extra service at a rate higher than your regular salary. Earnings from service deposited in your DBS account will not affect your final compensation.

Previously, pay for extra service was sometimes covered by Social Security or an alternative to Social Security. Extra service will now be covered by CalSTRS, so, starting in July, you will contribute 8 percent of your salary and your employer will contribute 8.25 percent toward your

CalSTRS retirement account. Therefore, those of you who have already been performing extra service may see a small change in your take-home pay. Although service will not count toward Social Security benefits, it will still be credited to Medicare.

### Creditable Compensation at a Glance

#### *For full-time educators*

- Your DBS account will be larger because it will be supplemented with additional contributions from service in excess of one year.
- You will be able to "fill-in" any unpaid leave in the year that you earn less than one year of service credit.

#### *For part-time educators*

- You will have more service credit when you retire, which will mean a larger monthly retirement allowance.
- Your final compensation could change because the pay for extra service will now count in determining the final compensation. A higher final compensation will increase your retirement allowance.

#### *Examples of extra service*

- ◆ Extra periods and extra days, such as summer school and intersession
- ◆ Extracurricular assignments such as:
  - Coach
  - Band director
  - Yearbook editor
  - Club advisor
  - Staff development days
  - Peer assessment/Review consulting teaching

### For More Information

The CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)) has more information about creditable compensation. Go to [www.calstrs.ca.gov/benefit/defined/mbrinfo/ab2700faqs.htm](http://www.calstrs.ca.gov/benefit/defined/mbrinfo/ab2700faqs.htm).

<sup>1</sup> There are three elements to the retirement calculation formula. They are age at retirement, years of service (service credit) and highest salary.



# New Retirement Benefit

## Allows Partial Lump-Sum Payment

### Monthly Benefit Permanently Reduced

If you could, would you want to receive part of your retirement benefit in a lump-sum payment? Even if that meant a permanent reduction to your monthly benefit? You now have that choice.

A new CalSTRS benefit allows members who retire on or after April 1, 2002, to receive a portion of their service retirement benefit as a lump sum in exchange for a lower monthly allowance at retirement. A Partial Lump Sum or “PLS,” is allowable for members who are at least age 60 and 3 months within the month their retirement is effective. Members with 30 or more years of service credit can participate in the program at age 60.

You can choose to have your PLS paid to you or rolled over through a trustee-to-trustee transfer to a qualified plan. You are not permitted to do both. If you choose a direct transfer to a qualified trust plan, the PLS amount must be at least twice the amount of your reduced monthly retirement benefit.

The lump-sum payment can be up to 15 percent of the present value of the retirement allowance. The amount can differ with each

member and depends on the age of the member, the member’s earnings and the years of credited service at retirement.

### Important Considerations

If you are thinking about PLS, you should carefully consider the implications. There can be significant income tax consequences if you receive a lump-sum payment. It is extremely important to thoroughly evaluate your financial needs since the ongoing monthly benefit is permanently reduced.

### Examples

For a typical career teacher with less than thirty years of credited service, the maximum partial lump sum could range from \$23,000 to \$60,000, reducing the unmodified allowance by between \$150 and \$450 dollars a month.

For a typical career teacher with thirty or more years of credited service, the maximum partial lump sum could range from \$78,000 to \$90,000. The unmodified allowance would be reduced by between \$500 and \$625 dollars a month.

Joseph is 62, earning \$4,750 per month with 32 years of service credit. With his longevity bonus of \$400 included, his unmodified retirement allowance is \$4,048 per month when he retires. Here’s how PLS would affect his monthly allowance:

| PLS Amount               | Permanent Monthly Decrease |
|--------------------------|----------------------------|
| \$10,000 .....           | \$66                       |
| \$25,000 .....           | \$164                      |
| \$50,000 .....           | \$328                      |
| \$75,000 .....           | \$493                      |
| \$92,460 (maximum) ..... | \$607                      |

Each situation is different. Before your retirement effective date, you can obtain an estimate using the online calculator available in May on the CalSTRS Web site ([www.calstra.ca.gov](http://www.calstra.ca.gov)). Or you can receive an estimate within 4-6 weeks by writing CalSTRS. Please provide your name, address, Social Security number, phone number and projected retirement date. Priority will be given to those with imminent retirement dates. Mail your request to Service Retirement MS-64; Attn: PLS Estimator Request; PO Box 15275; Sacramento, CA 95851.

## Online Financial Advice

To help participants make more informed decisions about their investments, VIP will provide access to the Financial Engines Investment Advisor, which recommends how to allocate your VIP funds based on all your investments (including those outside your VIP), your risk tolerance and when you need your funds. For an additional fee, participants will be able to request an asset allocation that reflects all tax-deferred accounts or a recommendation based on all investment accounts and reflecting multiple goals.

## Counseling Services

VIP will provide licensed investment advisers through the toll-free number to provide counseling services. The advisers will work with participants to determine their timelines and objectives and help them in using the Financial Engines asset allocation modeling tool. They can also counsel on available payouts and help those who are having trouble navigating on the Internet.

### For More Information

For more information about VIP, call the toll-free number at 800-699-403b (800-699-4032). And don't forget to check the Web site for online services in mid-summer—[www.calstrs.ca.gov](http://www.calstrs.ca.gov). Click on the 403(b) link under Benefits and Services.

## What Is VIP?

VIP is a tax-deferred savings plan for active members of the Defined Benefit Program and participants in the Cash Balance Benefit Program. VIP has low administrative fees and lets you choose to invest your contributions among several funds.



Check out [www.flexyourpower.ca.gov](http://www.flexyourpower.ca.gov)  
for great ideas on how to save money  
on your energy bills.

## Long-Term Care Application Opens in Spring Part-time and Substitute Teachers Are Also Eligible

No one likes to think about needing long-term care. But if you ever do, you want to be able to afford it. Catastrophic accidents, disabilities and age-related illnesses can happen, and conventional health plans and Medicare typically do not provide coverage. The CalPERS Long-Term Care Program can help with the costs.

Eligibility isn't limited to CalPERS members. Those eligible for CalPERS long-term care coverage include all California public employees, school teachers, school employees, retired teachers, their spouses, parents and parents-in-law. **New this year, siblings of all active employees and retirees, age 18 years and older, are eligible to apply.** Substitute teachers, part-time and seasonal employees are also eligible.

The 2002 application period starts April 1, 2002, and ends June 30, 2002. For more information and to request an application kit, phone 800-338-2244 or use the CalPERS Web site at [www.calpers.ca.gov/longtermcare](http://www.calpers.ca.gov/longtermcare).





# Home Buying Now Easier

## New CalSTRS/CaHLIF 80/17 Home Loan Program

**Borrow 80 Percent and Finance 17 Percent With “Silent Second”**

First-time homebuyers and those living in high-cost housing areas can have a tough time affording a home. A new program developed between CalSTRS and the California Housing Finance Agency’s California Housing Loan Insurance Fund can help. The CalSTRS/CaHLIF 80/17 Home Loan Program was implemented statewide in November 2001. It allows CalSTRS members to borrow 80 percent of the loan value with an additional 17 percent financed through a “silent second.”

CalSTRS members and other employees of California public schools are eligible for 80/17. Loans are not secured against the borrower’s retirement account. You only have to qualify for the 80 percent portion of the loan and do not have to make payments on the second, which accrues simple interest. The second is repaid at the end of the 30-year loan period or when the loan is terminated.

You can borrow up to \$450,000. Those living in high-cost counties can borrow up to \$550,000 (*see list on next page*). A 3 percent down payment is required with a minimum of 1 percent that must come from the borrower’s own funds. The remainder may be a gift from a relative or a grant from a government agency or an employer-assisted housing program approved by

CalSTRS and CaHLIF. In some cases, districts have paid the remainder for teacher-recruitment purposes.

### ***Closing costs and prepaids can be paid from:***

- Borrower’s own funds
- Seller contributions up to 3 percent
- Gift from relative
- Unsecured grant from a government agency or an employer-assisted housing program approved by CalSTRS and CaHLIF

After closing, the borrower must have cash reserves equaling two monthly mortgage payments. Funds from individual retirements accounts (IRA/Keogh accounts) and tax-favored retirement accounts [401(k) accounts and 403(b) accounts] may be considered as cash reserves.

At this time, North American Mortgage and First Mortgage Corporation are the only lenders authorized to offer the 80/17 Home Loan program, although CalSTRS is in the process of authorizing more lenders. You can find more information on the Web at [www.calstrs.ca.gov/benefit/homeloan](http://www.calstrs.ca.gov/benefit/homeloan) or by calling North American Mortgage at 800-700-6262 or First Mortgage Corporation at 877-959-1998.

# CalSTRS Home Loan Program Approved Lenders

## Bank of America

Northern California 650-358-6004

Southern California 818-704-4076

## Countrywide Home Loans

800-877-5626

## CUNA Mutual Mortgage Corporation\*

800-576-3577

## First Mortgage Corporation\*<sup>▲</sup>

877-595-1998

## North American Mortgage\*<sup>▲</sup>

800-700-6262

## Wells Fargo Home Mortgage

909-680-3685

\* Zero Home Loan Lender

<sup>▲</sup> 80/17 Home Loan Lender

## High-Cost Counties

### Bay Area

Alameda

Marin

San Francisco

Solano

Contra Costa

Napa

San Mateo

Sonoma

### Central Coast

Monterey

San Luis Obispo

Santa Clara

Ventura

San Benito

Santa Barbara

Santa Cruz

### Southern Coast

Los Angeles (except Palmdale Lancaster area)

Orange

San Diego



## Increased Limits on CalSTRS Home Loans

Because California housing prices seem to have no limits, CalSTRS has raised its home loan limits. In January 2002, new state legislation increased the CalSTRS Home Loan Program limits to 200 percent of the Fannie Mae and Freddie Mac limits. At the same time, Fannie Mae and Freddie Mac increased their loan limits to \$300,700. This means that the limit on CalSTRS conventional home loans is now \$601,400.

For the Zero Down Program, the limit on CalSTRS home loans is now \$350,000 and, in high-cost counties, \$450,000 (*see list above*).

# Second Year of 2001–2002 Legislative Session Begins

The second year of the 2001–2002 legislative session is underway. The following bills that affect CalSTRS active members have been introduced. Unless otherwise noted, the legislation would become effective on January 1, 2003.

## **AB 1710 (Negrete McLeod)**

Requires community college districts to offer an alternative retirement plan and Social Security to all their part-time employees.

## **AB 2137 (Lowenthal)**

Provides an additional two years of DB Program service credit to educators who perform three years of credited service in low-performing schools from January 1, 2003, to January 1, 2008.

## **AB 2451 (Salinas)**

Permits part-time credentialed community college employees to have the value of unused sick leave at the time of retirement credited to the CalSTRS Defined Benefit Supplement account, Cash Balance Benefit Program account or alternative retirement plan account.

## **AB 2506 (Steinberg)**

Requires the Teachers' Retirement Board to establish a registration process for vendors seeking to offer retirement investment products to employees of all state and local public agencies, except employees of the University of California and California State University.

## **AB 2646 (Liu)**

Eliminates the 25-year credited service requirement to have final compensation based on highest 12 consecutive months rather than highest 36 months.

## **AB 2767 (Pavley)**

Permits granting of up to 10 years of service credit for new employees who teach five years in teacher-shortage discipline.

## **SB 461 (Torlakson)**

Requires CalSTRS to provide high deductible prescription drug coverage to eligible retired members. The bill, which would be effective January 1, 2004, requires CalSTRS to specify deductibles, co-payments, maximum benefit levels and eligibility criteria based on the number of years of credited service, requiring at least 10 but not more than 25 years of credited service.

## **SB 1318 (Karnette)**

Authorizes employers to pay member DB contributions.

## **SB 1580 (Burton)**

Requires the four members of the Teachers' Retirement Board currently appointed by the Governor to be elected by the members of the group to which they represent.



Additionally, this year's legislation includes several Senate and Assembly bills that seek to conform California law to the retirement plan provisions of the Federal Economic Growth and Tax Relief Reconciliation Act of 2001. These bills include: **AB 1122 (Corbett), AB 1743 (Campbell), SB 657 (Scott) and SB 1256 (Brulte).**

## **AB 1744 (Corbett)**

In addition to conforming California state law with some of the retirement provisions of the recently enacted federal tax relief bill (EGTRRA), permits members retiring between January 1, 2002, and up to 120 days after the enactment of state conformity legislation to purchase service credit using rollover funds allowed under EGTRRA if the purchase is completed in 2002. The legislation becomes effective the day the Governor signs the bill.

*Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decisions you make in relation to those benefits. These changes are made by the California Legislature and the Governor. Although CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you. For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS Web site ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)), the CalSTRS Public Service Office (1-800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe may be helpful to you before you make any final decision. You are ultimately responsible for any decision you make in regard to your CalSTRS benefits.*





## Reducing Employers Makes a Difference

**A**re you a part-time educator working for several school districts and nearing retirement? If so, you should know that you could possibly earn a larger retirement allowance if you reduce the number of employers you work for during your final three years of employment.

The reason for this is that one part of the retirement allowance calculation is the highest salary earnable over 36 consecutive months or, for some part-time employees, 12 consecutive months. When someone works part time, the highest salary earned or “final compensation” is calculated by dividing the salary the person would have earned if they had worked full time by their service credit.

However, when a person has more than one employer, the calculation is more complicated. In this case, the final compensation is the sum of all their actual salaries divided by the sum of all their service credit. When the salaries and service credit vary, the calculations can result in a lower final compensation, which reduces the retirement allowance.

The following example shows how the calculation can affect the retirement allowance of a part-time educator.<sup>1</sup>

Eloise works part time at two high schools and a community college. She has 8.95 years of service credit. If she continues to work for all three employers during her last three years before retirement at age 63, here is how her final compensation would be calculated:

| Employer | Earnings     | Service Credit |
|----------|--------------|----------------|
| A        | \$ 3,360     | 0.100          |
| B        | 30,250       | 0.500          |
| C        | <u>6,563</u> | <u>0.250</u>   |
| Totals   | \$40,173     | 0.850          |

Eloise’s annual earnable salary is  $\$40,173 \div 0.850 = \mathbf{\$47,262}$

<sup>1</sup> Note that this example assumes the person has already earned 5.0 years of service credit and is eligible for a service retirement.

To increase her retirement calculation, Eloise could terminate her employment with the lowest actual pay rate and her retirement calculations would be higher:

| Employer | Earnings      | Service Credit |
|----------|---------------|----------------|
| A        | \$ 3,360      | 0.100          |
| B        | <u>30,250</u> | <u>0.500</u>   |
| Totals   | 33,610        | 0.600          |

Her annual earnable for final compensation is  
 $\$33,610 \div 0.600 = \mathbf{\$56,017}$

However, if Eloise also terminates the position with the next lowest annual pay rate, her final compensation is even higher.

| Employer | Earnings        | Service Credit |
|----------|-----------------|----------------|
| B        | <u>\$30,250</u> | <u>0.500</u>   |
| Totals   | 30,250          | 0.500          |

Her annual earnable for final compensation is  
 $\$30,250 \div 0.500 = \mathbf{\$60,500}$

Here’s the impact of the three alternatives on Eloise’s retirement calculation

Works all three jobs  
 $11.5 \times 2.4 \times \$3,938 = \mathbf{\$1,087 \text{ per month}}$

Terminates job with lowest annual pay rate  
 $10.75 \times 2.4 \times \$4,668 = \mathbf{\$1,204 \text{ per month}}$

Terminates all jobs except one with highest annual pay rate  
 $10.45 \times 2.4 \times \$5,042 = \mathbf{\$1,265 \text{ per month}}$

Eloise decided that the increase of \$178 per month in her retirement benefit was significant enough to terminate employment at two of her part-time jobs. Over the lifetime of her retirement, the difference in income would likely be about \$53,000, not including the 2 percent annual COLA and any ad hoc increases or purchasing power increases.

However, Eloise could not afford to work at only one part-time job during her final three years before retirement. To make up for the loss in salary, she found employment as a part-time teacher in a private school.

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## Part-Timer Matters

*continued from page 9*

Each individual situation is different. CalSTRS strongly recommends that you meet with a regional counselor before your retirement and carefully weigh your options before making decisions that affect your retirement benefits.



## For Part-timers, Final Compensation Is Often 36 Months

For part-time educators, retirement is calculated using the “highest average annual compensation earnable,” or the salary you would have earned if you were working full time.

For CalSTRS members with less than 25 years of service credit, this is based on any period of 36 consecutive months.

For members with 25 or more years of service credit, it is based on any period of 12 consecutive months. Most members retire with at least 25 years of service credit. However, since most part-time educators do not accumulate 25 or more of service credit, the 36-month period is most commonly used.

# Planning Milestones

As you proceed through your career, you may want to perform these tasks for a secure, comfortable retirement.

### IF YOU HAVE...

#### **less than one year of service credit**

### THEN YOU ...

- begin tax-deferred savings, such as to a 403(b) plan
- submit a Beneficiary Designation Information form to CalSTRS

**one year of service credit** (You are eligible for the CalSTRS lump-sum death benefit and monthly survivor benefit if you die while an active member.)

- check your CalSTRS annual statement of account each year for accuracy of service credit noted

**five years of service credit** (You are vested, and, therefore, will receive a retirement allowance when you retire. You can now retire if you are 55 or older.)

- use the online retirement calculator to project your retirement allowance
- attend a CalSTRS Financial Education Program workshop
- develop a financial plan

**ten years of service credit** (You are planning the financial details of your career and retirement.)

- use the online retirement calculator to project your retirement allowance
- update your financial plan
- review the beneficiary designation on your annual statement of account
- increase tax-deferred savings, if possible

**at least 30 years of service credit and are between ages 50 and 55** (You are eligible to retire.)

- select a pre-retirement option if you wish to provide a lifetime allowance to your survivor after you retire
- meet with a CalSTRS regional counselor to get information about selecting a pre-retirement option and an estimate of your retirement allowance
- update your CalSTRS beneficiary designation, if necessary

**at least five years of service credit and at least age 55** (You are eligible to retire.)

- select a pre-retirement option if you wish to provide a lifetime allowance to your survivor after you retire
- meet with a CalSTRS regional counselor to get information about selecting a pre-retirement option and an estimate of your retirement allowance
- update your CalSTRS beneficiary designation, if necessary

# Service Credit Purchase Calculators Are Online



Wondering how much it would cost to buy service credit? The CalSTRS Web site now lets you calculate the cost online. If you decide to purchase additional service credit, you can also order the forms on the Web that you need to make the purchase.

## Permissive Service Credit Calculator

The permissive service credit calculator helps you estimate the cost of buying this type of service credit. Permissive service credit can be purchased for performing non-CalSTRS work activities or for service credit you would have earned while on an employer-approved leave.

Here's a partial list of permissive service credit you can calculate the cost for:

- Certain military service
- Out-of-state service
- Other types of teaching experience, including part time
- Maternity or paternity leave

To use the calculator, select Defined Benefits from the home page ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)). Use the Quick Navigator to select "Purchasing Additional Service Credit." You will need to provide the amount of service credit you would like to buy

and your highest earnable salary in the last three years of CalSTRS-covered employment.

## Nonqualified Service Credit Estimator

The CalSTRS Web site also lets you estimate the cost of purchasing nonqualified service credit. Sometimes called "air time," nonqualified service credit is service credit not connected to any specific prior employment. It does not count toward eligibility for the career factor, longevity bonus or one-year compensation. You can purchase up to five years of

nonqualified service credit after earning five years of CalSTRS service credit.

To calculate nonqualified service on the Web, select "Service Credit Est." on the CalSTRS Quick Navigator, which is on the home page. You will need to provide your birthday, current amount of service credit, current annual salary, estimated purchase date, amount of service to be purchased and amount of lump-sum deposit (if any).

## For More Information

Consult the CalSTRS Web site, your *Member Handbook* or listen to Teletalk message 250. You can also order the *Purchase Additional Service Credit* brochure by calling 800-228-5453. Use the automated forms ordering option. You can view the brochure online at [www.calstrs.ca.gov](http://www.calstrs.ca.gov).

## Other Online Calculators

### *Retirement Benefits Calculator*

Did you know that currently you can estimate your CalSTRS retirement benefit by using the online calculator? It doesn't matter what your age is or how long you've been a member of CalSTRS. Just plug in your birthday, retirement date, service credit, salary and beneficiary's birth date and the calculator will do the rest. Try different scenarios to help decide the best retirement for you!

***CalSTRS is also working on other online calculators. In the near future, you will be able to access the Web site to find:***

- A **Redeposit Calculator** that will calculate the cost to redeposit previously withdrawn CalSTRS retirement funds
- A **Monthly Payment Calculator** that will let you know what your monthly payments may be relative to payroll deductions or personal payments
- A **Benefit and Cost Recovery Calculator** to determine how long it will take to recover the costs of purchasing service credit

# Born in the 1940's?

## This Message is for You

If you are in your 50's, you are either eligible or close to eligible to retire. You can retire at age 55 with at least five years of service credit or at age 50 with at least 30 years of service credit. If you are sure you will want to provide a lifetime monthly allowance to another person or persons when you die, you may want to consider making a pre-retirement election of an option as soon as you are eligible to retire. This will ensure a monthly allowance for that person even if you die before you retire. That person is called your "option beneficiary." You can choose more than one option beneficiary.

When you provide a lifetime allowance to another person, your allowance is reduced, or modified, due to actuarial assumptions based on your age and the age of the person you select. Since this allowance modification is based on both your ages, generally, the younger you are when the selection is made, the less your allowance is reduced.\* The following example illustrates this advantage.

### EXAMPLE

#### Member Chooses Pre-Retirement Election of an Option

- Member retires at age 60
- Option 2 beneficiary is also age 60
- Both member and option beneficiary were age 55 when pre-retirement option was chosen

|  |            |
|--|------------|
| Unmodified Allowance .....                 | \$1,963.89 |
| <b>x</b> Percentage Payable* .....         | x.936      |
| <b>=</b> Member's Modified Allowance ..... | \$1,779.28 |

#### Member Chooses an Option at Retirement

- Member retires at age 60
- Option 2 beneficiary is also age 60

|  |            |
|--|------------|
| Unmodified allowance .....                 | \$1,963.89 |
| <b>x</b> Percentage Payable* .....         | .879       |
| <b>=</b> Member's Modified Allowance ..... | \$1,726.26 |

\* The percentage payable will be the higher in effect on either your effective date of retirement or your pre-retirement election of an option.

#### Disadvantage to Selecting a "Pre"

While many members find selecting a pre-retirement election of an option to their advantage, there is a disadvantage. If you cancel or change your pre-retirement election of an option or your option beneficiary dies before you retire, your retirement allowance will be permanently reduced.

#### For More Information

You can figure your approximate retirement allowance under the various options by using the online retirement calculator at [www.calstrs.ca.gov](http://www.calstrs.ca.gov), or read about options and a pre-retirement election of an option in the *Member Handbook*.

*Note: If a member takes a disability retirement, their pre-retirement election of an option is voided and the member makes a new election. The election can be the same option and beneficiary as before.*

## What Is the DBS Program?

As you read on page 1, starting July 1, 2002, contributions from any extra service you perform in excess of one year will go into your Defined Benefit Supplement account. In addition, one-fourth of your Defined Benefit contribution, or 2 percent of your CalSTRS-covered employment, is allocated to this account from January 1, 2001, through 2010.

There will be no change in the 8 percent contribution currently withheld from your paycheck. Also, your CalSTRS DB retirement allowance will not be affected by your DBS account.

You will receive your DBS funds when you become disabled, retire or leave CalSTRS-covered employment. The amount in the accounts will vary, depending on each member's salary or compensation for extra service and the interest the account earns.

Your beneficiary is eligible to receive your DBS funds upon your death. Your DBS beneficiary is the same person or persons you have designated for your DB account.



## In the News

**There have been two recent significant news stories** that have concerned CalSTRS Defined Benefit members. The first is the collapse of Enron.

The second is the Governor's budget, which had proposed deferment of the state's General Fund contributions to CalSTRS.

**Two stories, the same question.** Members called CalSTRS to ask whether their Defined Benefit allowance would be affected. In both cases the answer is no.

Your retirement allowance is based on a formula set by law, not on the overall value of the CalSTRS investment portfolio. So in the case of Enron or any other CalSTRS investment, fluctuations in the investment portfolio will never affect your allowance amount. The same is true for any changes to the state's contributions to the DB Program.

**Here are the facts on CalSTRS' investments in Enron:** CalSTRS owned 2.02 million shares in Enron on June 30, 2001. Since then, all Enron shares have been sold. While the Enron stock has lost value since June, the overall CalSTRS investment portfolio gained \$2.2 billion in the month of November. (This month includes the net of the Enron decline.) Overall CalSTRS losses in Enron were \$47.5 million, which represents a small fraction of the \$102 billion portfolio.

**In the case of the Governor's proposal,** with the state facing a projected \$12 billion shortfall, the Governor is seeking ways to save General Fund dollars. In his initial budget announced in January 2002, Governor Davis proposed deferment of the state's general fund contribution to CalSTRS for 27 months, which was to save the state approximately \$948 million over two years. The funds were to be repaid over a 30-year period. The budget would also have included an additional benefit for CalSTRS members. This proposal has been withdrawn, and, at press time, the Governor had adopted a proposal by the State Treasurer for the sale of bond funds as a means to decrease the state's General Fund costs.





## TELETALK MENU

The CalSTRS Teletalk system has more than 100 recorded messages that can provide general information on CalSTRS benefits and services. You can call the Teletalk line anytime. Just dial 800-228-5453 and press 2.

Here is a list of Teletalk categories.

|     |  |
|-----|--|
| 90  | What's New?  |
| 100 | General Information  |
| 150 | Membership, Service Credit and Contributions                 |
| 200 | Regional Counseling Services                                 |
| 250 | Purchase of Additional Service Credit and Redeposits         |
| 300 | Pre-Retirement Election of an Option                         |
| 350 | Service Retirement   |
| 400 | Disability Benefits  |
| 420 | Coverage A, Disability Allowance and Rehabilitation Program  |
| 450 | Coverage B, Disability Retirement and Rehabilitation Program |
| 500 | Death Benefits   |
| 520 | Coverage A, Family Allowance Program                         |
| 550 | Coverage B, Survivor Benefits                                |
| 600 | Increases In Benefits  |
| 650 | Tax Liability  |
| 700 | Refund of Contributions                                      |
| 750 | Deferred Savings Program                                     |
| 800 | Teachers' Retirement Fund Investment                         |
| 900 | Cash Balance Benefit Program                                 |

# Contacting CalSTRS— Making Headway

## Here's Some Other Ways to Get Information

In the last issue you heard that callers were getting busy signals and experiencing long waiting times when using the CalSTRS toll-free phone system. You also heard that CalSTRS was working hard to improve phone service.

So how is CalSTRS doing? Making headway—although at times, callers still experience delays. CalSTRS members still hear the dreaded, “We’re sorry, but all our lines are busy,” but less often, and waiting time has been reduced.

Recent improvements such as the hiring of new employees, redesigning the phone system to allow for specialization of staff and adding self-service features to the phone system have helped improve customer service.

Be assured that CalSTRS employees and the Teachers’ Retirement Board are working diligently to ensure the top-quality service that members deserve. Plans are underway to recruit, hire and train additional staff and to provide other avenues for members to obtain CalSTRS information.

Here are some ways to get the information you need without hearing a busy signal or spending time on hold:

**Call after hours** to use the automated telephone system to hear Teletalk messages, order forms and get information about your account. The number is 800-228-5453. Automated services are offered 24 hours a day, seven days a week.

- ☛ For information about your account, press 1. You will need to provide your Social Security number and date of birth. The information you will hear includes your contributions, interest, service credit, date retirement application was received and date refund application was received.
- ☛ For Teletalk, which has more than 100 recorded messages that can provide general information on CalSTRS benefits and services, press 2. You can even have a Teletalk message faxed to you for reference.
- ☛ Order forms or booklets by pressing 3.

**Use the CalSTRS Web site.** You can obtain information about benefits and services, view publications and order forms on the Web site at [www.calstrs.ca.gov](http://www.calstrs.ca.gov). If you do not have a computer at home, visit your local library. Nearly all of them provide Internet access and staff to help you.

**E-mail your questions.** E-mails may be sent through the CalSTRS Web site by choosing “Contact CalSTRS” on the home page menu. Inquiries will be answered within 10 working days.

Of course if you need to speak to someone directly, please call the Public Service Office. Representatives are available from 8:00 a.m. to 5:00 p.m., Monday through Friday. As the improvements to customer service continue, soon you’ll hear, “Operators are standing by.”

# Goal is First Retirement Check Within 30 days

After you retire, how long will it take for your first retirement check to arrive? CalSTRS' goal is to provide you with your first check within 30 days of your effective date of retirement or within 30 days of the date your completed application is received by CalSTRS, whichever is later.

## **An Acknowledgement, Then an Award Letter**

CalSTRS will send an acknowledgement letter confirming that your application has been received. Next you will receive an award letter, which will detail your estimated retirement allowance.

How long it takes to receive your award letter depends on when you submitted your application. Your award letter will be sent about 30 days before your retirement date. If you submit your application close to but not later than the month in which you retire, your award letter will be sent after your completed application is received.

## **Allowance May Be Adjusted**

Your first check will likely be an estimated amount because CalSTRS may not have the final information about your account by the time the check is issued. Although your first check may be adjusted, the initial amount is typically very close to what you will receive on an ongoing basis. Because information about your account undergoes change as information is received from the employer and processed by CalSTRS, you may receive more than one allowance adjustment letter.

## **Adjustments**

As additional information is received from your employer, your allowance is adjusted retroactively to the date of your retirement. At that time, you will receive the adjustment letter listing the amount paid to date, the correct allowance payable and the reconciliation of any differences. It's a good idea to save the adjustment letter for your income tax records. Any retroactive payments due you will be sent shortly thereafter, and any overpayments will be deducted from your retirement payments.





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Sacramento, CA 95851-0275

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## How to Reach Us

### Write CalSTRS at:

California State Teachers'  
Retirement System  
P.O. Box 15275  
Sacramento CA, 95851-0275

### Call CalSTRS Public Service Office:

800-228-5453  
916-229-3870  
916-229-3541 for TTY for hearing  
impaired person.

### Browse CalSTRS Web site at:

[www.calstrs.ca.gov](http://www.calstrs.ca.gov)

When contacting CalSTRS, be sure to  
include your Social Security number.



### CalSTRS Vision Statement

CalSTRS is committed to lifetime security and service that meets  
the changing needs of California's educators.

### State of California

Gray Davis, Governor  
Aileen Adams, Secretary, State and Consumer  
Services Agency

### Teachers' Retirement Board

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George W. Fenimore, Vice Chair  
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Sherry Reser, Managing Editor  
Linda Riley, Editor

Statements in this publication are general and the Teachers'  
Retirement Law is complex and specific. If a conflict arises  
between information contained in this publication and the law,  
any decisions will be based on the law and not on this  
publication.

The *Bulletin* is published twice a year for active and inactive  
members of the Defined Benefit Program and participants in  
the Cash Balance Benefit Program of the California State  
Teachers' Retirement System. Comments or suggestions may be  
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